



# **Multifamily Section 3 Compliance Guide**

*June 2022*

## MINNESOTA HOUSING – MULTIFAMILY SECTION 3 COMPLIANCE GUIDE



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## Introduction

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968. The purpose of Section 3 “is to help ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.” Section 3 regulations can be found at 24 CFR §75 – *Economic Opportunities for Low- and Very Low-Income Persons*.

## Chapter 1 – Section 3 Recipients and Responsibilities

### 1.01 What is a Section 3 Assisted Project

Section 3 projects are housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000.

The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing. The requirements of Part 75 apply to an entire Section 3 project, regardless of whether the project is fully or partially assisted under HUD programs that provide housing and community development financial assistance.

### 1.02 Who is a Recipient

A Recipient is any entity who receives Section 3 covered assistance either directly from HUD or from another Recipient.

Examples of Recipients:

- Minnesota Housing
- Owners/developers who receive Section 3 covered assistance from Minnesota Housing and are contracting with others to conduct construction

Examples of who would not be a Recipient:

- Contractors and Subcontractors are not Recipients.
- The ultimate beneficiary under a HUD program is not a Recipient. An example of an ultimate beneficiary would be a tenant living in an assisted property.
- Contracts, subcontracts, grants, or subgrants subject to Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5307(b)) or subject to tribal preference requirements as authorized under 101(k) of the Native American Housing Assistance and Self-Determination Act (25 U.S.C. 4111(k)) must provide preferences in employment, training, and business opportunities to Indians and Indian organizations, and are therefore not subject to the requirements of this part.

### 1.03 Recipient Responsibilities

Minnesota Housing works with Recipients to achieve the requirements of Section 3, which include all of the following:

- Attempt to reach the benchmarks of 24 CFR §75.23
- Inform Recipients of Section 3 requirements

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- Assist Recipients and their Contractor and Subcontractors to meet Section 3 requirements and objectives
- Monitor the performance of Recipients with respect to the objectives and requirements of 24 CFR §75

All Recipients are responsible for the actions specified in 24 CFR §75. Recipients must:

- Comply with Section 3 in their operations and in the operations of their Contractors and Subcontractors
- Notify potential Contractors of the Section 3 requirements by providing this Multifamily Section 3 Compliance Guide and all appendices before bidding.
- Follow the prioritization of effort for employment, training, and contracting at 24 CFR §75.19. Implement procedures designed to notify Section 3 Workers about training and employment opportunities and Section 3 Business Concerns about contracting opportunities generated by Section 3 covered assistance.
- Take steps to meet or exceed the applicable Section 3 benchmarks and to reach or exceed Section 3 Safe Harbor Standards at 24 CFR §75.23
- Incorporate language applying Section 3 requirements in any solicitations and Contracts as described in in 24 CFR §75.27
- Obtain the compliance of Contractors and Subcontractors and not enter into Contracts when there is notice or knowledge that a Contractor has violated 24 CFR §75
- To the greatest extent feasible, ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 Workers within the metropolitan area (or nonmetropolitan county) in which the project is located. Where feasible, priority for opportunities and training should be given to:
  - Section 3 Workers residing within the Service Area or the neighborhood of the project, and
  - Participants in YouthBuild Programs
- To the greatest extent feasible, ensure Contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 Workers residing within the metropolitan area (or non-metropolitan county) in which the project is located. Where feasible, priority for contracting opportunities of this section should be given to:
  - Section 3 Business Concerns that provide economic opportunities to Section 3 Workers residing within the Service Area or the neighborhood of the project, and
  - YouthBuild Programs
- Ensure that Section 3 Project labor hours and qualitative efforts pursued by the Section 3 Project's Recipient, Contractors, and Subcontractors are adequately documented

- Cooperate with Minnesota Housing in the collection of documentation necessary to show compliance with Section 3 requirements

Minnesota Housing will provide the Section 3 Compliance Guide at the time of Project launch. Please contact the program manager for more details.

#### **1.04 Contractor/Subcontractor Responsibilities**

The Contractor/Subcontractor is responsible for all of the following:

- Comply with Section 3 in their operations and in the operations of their Subcontractors
- Notify potential Subcontractors of the Section 3 requirements by providing this Multifamily Section 3 Compliance Guide and all appendices before bidding
- Follow the prioritization of effort for employment, training, and contracting at 24 CFR §75.19. Implement procedures designed to notify Section 3 Workers about training and employment opportunities and Section 3 Business Concerns about contracting opportunities generated by Section 3 covered assistance.
- Take steps to meet or exceed the applicable Section 3 benchmarks and to reach or exceed Section 3 Safe Harbor Standards at 24 CFR §75.23
- Incorporate language applying Section 3 requirements in any solicitations and Contracts as described in 24 CFR §75.27
- Identify and certify the status of all Section 3 Workers and Targeted 3 Workers who will work on the Section 3 Project and all Section 3 Business Concerns being awarded a Contract for the Section 3 Project
- Obtain the compliance of Subcontractors and not enter into Contracts when there is notice or knowledge that a Subcontractor has violated 24 CFR §75
- Adequately document Section 3 Project labor hours and qualitative efforts pursued by the Section 3 Project's Contractors and Subcontractors
- Cooperate with Minnesota Housing and the Recipient in the collection of documentation necessary to show compliance with Section 3 requirements



## Chapter 2 – Section 3 Contracts and Requirements

### 2.01 What is a Section 3 Covered Contract

A Section 3 covered contract is a contract or subcontract, including a professional service contract (architect, engineer, surveyor, etc.), awarded by a Recipient, Contractor or Subcontractor for work generated by the expenditure of Section 3 covered assistance or for work in connection with a Section 3 Project. It does not include Contracts for the purchase of supplies and materials without installation.

Contracts, subcontracts, grants or subgrants subject to Indian and Tribal preferences in employment as defined by 24 C.F.R. 75.3 (c) are not subject to Section 3 requirements.

### 2.02 Who Must Comply with Section 3

The following must comply with Section 3:

- Recipients exceeding \$200,000 of Section 3 covered assistance, including recipients' Contractors and Subcontractors with contracts for housing construction, regardless of the source of funds to pay the contract

For example, an Owner/Developer (Recipient) combines \$300,000 of HOME Program/National Housing Trust Fund funds with \$120,000 of Project reserves for a total Project cost of \$420,000. Even though the Recipient chooses to pay the \$120,000 contract for heating system replacement with Project reserves, that heating Contractor is subject to Section 3.

### 2.03 What is a Section 3 Business Concern

A Section 3 Business Concern is a business that can provide evidence they meet one of the following criteria within the previous six-month period from the date the business's Section 3 Business Concern Certification Form (refer to Section 2.06, below) is signed:

- The business is at least 51% owned by low- or very low-income persons;
- Over 75% of the labor hours performed for the business over the prior three-month period, from the date the business' Section 3 Business Concern Certification Form (refer to Section 2.06, below) is signed are performed by Section 3 Workers; or
- A business at least 51% owned and controlled by current Public Housing Residents or residents who currently live in Section 8-assisted housing.

To be designated as a Section 3 Business Concern, a self-certification must be completed on HUD's Section 3 [website](#). See Certification for Business Concerns Seeking Section 3 Preference in Contracting and Demonstration of Capability (Appendix J). Retain all of the documentation showing that your business meets the requirements of a Section 3 Business Concern. When Minnesota Housing conducts monitoring on Section 3 requirements, the business might be asked to provide all of the necessary documentation to confirm the business's eligibility.

## **2.04 Who is a Section 3 Worker**

A Section 3 Worker is any worker who currently fits, or when hired within the past five years, falls into at least one of the following categories, as documented:

1. The worker’s income for the previous or annualized calendar year is below the income limit established by HUD (refer to Section 2.07, below); or
2. The worker is employed by a Section 3 Business Concern; or
3. The worker is a YouthBuild participant

## **2.05 Who is a Targeted Section 3 Worker**

A Targeted Section 3 Worker for Housing and Community Development Financial Assistance projects is a Section 3 Worker:

1. Who is employed by a Section 3 Business Concern; or
2. Who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
  - (i) Living within the Service Area or the neighborhood of the project, or
  - (ii) A YouthBuild participant

“Service area” or the “neighborhood of the project” means an area within one mile of the Section 3 project, or if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.

The HUD Region 5 Section 3 Resource Hub has a [Neighborhood Service Area Definition Tool](#) available for Recipients and Contractors to identify the Service Area of a Section 3 Project.

## **2.06 Section 3 Worker and Business Concern Certifications**

To be certified as a Section 3 Worker and Targeted Section 3 Worker, a worker must complete and submit a self-certification form to their employer, who must then review the form and confirm the employee’s Section 3 Worker or Targeted Section 3 Worker status. Refer to Minnesota Housing’s Section 3 Worker Self-Certification Form (Appendix H).

All businesses seeking Section 3 preference as a Section 3 Business Concern must complete and submit a certification form to the Contractor or Subcontractor soliciting bids during the bidding process, who must then review the form and confirm the business’s Section 3 Business Concern status. Refer to Minnesota Housing’s Section 3 Business Concern Certification Form (Appendix I).

A worker can be certified as a Section 3 Worker or Targeted Section 3 Worker for up to five years from when they were initially hired using the category they met when initially hired.

All certification forms must be retained by the project Recipient. When Minnesota Housing conducts Section 3 monitoring, the Recipient will be asked to provide copies of all certification forms collected to confirm Section 3 Worker, Targeted Section 3 Worker, and Section 3 Business Concern status.

## **2.07 Determining Income**

Low- and very low-income limits are defined in Section 3(b)(2) of the Housing Act of 1937 and are determined annually by HUD. These limits are typically established at 80% (low) and 50% (very low) of area median individual income. HUD income limits may be obtained from:

<https://www.huduser.org/portal/datasets/il.html>. The income limits to use when determining Section 3 status are the income limits for the county in which the employee or individual lives.

## Chapter 3 – Benchmarks

### 3.01 Safe Harbor Compliance

The Recipient will be considered to have complied with Section 3 requirements, in the absence of evidence to the contrary, if they certify that they followed the required prioritization of effort at 24 CFR §75.19 and met or exceeded the Section 3 benchmarks (also known as the Section 3 Safe Harbor Standards at 24 C.F.R. §75.23).

The Recipient, Contractors, and Subcontractors will be required to initially certify that they will follow the required prioritization of effort for Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns. This certification to follow the required prioritization of effort must be made on the applicable Section 3 Compliance Checklist (Appendices C – E).

Contractors and Subcontractors will then be required to certify on the Section 3 Qualitative Efforts Reporting Form (Appendix G) that they followed the prioritization of effort requirements and provide evidence of the qualitative efforts they made to assist low- and very low-income persons with employment and training opportunities.

### 3.02 Safe Harbor Benchmarks

Recipients are evaluated according to how well they meet the following Safe Harbor Standards with respect to Section 3 covered Projects:

For housing and community development financial assistance projects, the benchmark for Section 3 Workers is set at 25% or more of the total number of labor hours worked by all workers on a Section 3 project.

The benchmark for Targeted Section 3 Workers is set at 5% or more of the total number of labor hours worked by all workers on a Section 3 project. This means that the 5% is included as part of the 25% threshold.

Recipients may report the labor hours worked by Section 3 Workers and Targeted Section 3 Workers from professional service Contracts without including their labor hours in the total number of labor hours worked on the Section 3 Project.

Regardless of meeting the benchmarks, the Recipient must report on the qualitative nature of its activities and those its Contractors and Subcontractors pursued pursuant to 24 CFR §75.25(b). If any Contractors or any Subcontractors are unable to meet the benchmarks, they must also document impediments they encountered.

Such qualitative efforts may, for example, include but are not limited to the following:

- Engaged in outreach efforts to generate job applicants who are Targeted Section 3 Workers.

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- Provided training or apprenticeship opportunities.
- Provided technical assistance to help Section 3 Workers compete for jobs (e.g., resume assistance, coaching).
- Provided or connected Section 3 Workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
- Held one or more job fairs.
- Provided or referred Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, childcare).
- Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
- Assisted Section 3 Workers to obtain financial literacy training and/or coaching.
- Engaged in outreach efforts to identify and secure bids from Section 3 Business Concerns.
- Provided technical assistance to help Section 3 Business Concerns understand and bid on contracts.
- Divided contracts into smaller jobs to facilitate participation by Section 3 Business Concerns.
- Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business Concerns.
- Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
- Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act

Reporting on the qualitative efforts used by the Recipient, Contractors, and Subcontractors, and any impediments encountered, must be completed using Minnesota Housing’s Section 3 Qualitative Efforts Reporting Form (Appendix G) and submitted to Minnesota Housing prior to the execution of any Contracts.

## **Chapter 4 – Monitoring and Reporting**

### **4.01 Monitoring and Recordkeeping Requirements**

The development team, which includes but is not limited to the Owner/Developer, Contractor and professional service Contractors, must allow Minnesota Housing and HUD and their representatives to inspect all records related to the Project.

Recordkeeping requirements for recipients are found at 24 CFR §75.31. Recipients are required to maintain documentation to demonstrate compliance with the regulations and are responsible for requiring their Contractors and Subcontractors to maintain or provide any documentation that will assist recipients in demonstrating compliance, including documentation that shows that workers meet the definition of a Section 3 Worker or a Targeted Section 3 Worker; that the hours worked by Section 3 Workers, Targeted Section 3 Workers, and any qualitative efforts to comply with Section 3; and other documentation that may be required by the regulations.

Documentation must be maintained for the time period required for record retentions in accordance with applicable program regulations or, if there are no program regulations, in accordance with 2 CFR § 200.334.

Refer to the appendices for documentation that must be completed and submitted to or retained for later review by Minnesota Housing.

### **4.02 Section 3 Clause**

All Section 3 covered Contracts must include the Section 3 Clause (Appendix G) in its bid package and Contracts. All Contractors and Subcontractors must also ensure that the Section 3 Clause and language requiring that the requirements of 24 CFR §75.19 be met are included in all Section 3 covered Contracts.

### **4.03 Reporting Requirements**

For Section 3 Projects subject to Davis-Bacon and Related Acts labor standards, Contractors and Subcontractors will be responsible for reporting on Section 3 labor hours in LCPTracker during the construction period.

If the project is not subject to Davis-Bacon and Related Acts labor standards, Contractors and Subcontractors will be responsible for submitting their Section 3 labor hours to Minnesota Housing on a monthly basis in conjunction with their draw requests. Refer to Minnesota Housing’s Labor Hour Certification Form (Appendix J). Minnesota Housing staff will review reports monthly prior to releasing the draw and will reach out to the Contractor as needed.

After project construction is complete, any remaining reporting information and/or documentation required for Section 3, including for labor hours worked and qualitative efforts

used, must be submitted to Minnesota Housing for approval prior to release of the final draw for the HOME and/or NHTF funds.

Minnesota Housing will then enter all necessary Section 3 data and information for the project into HUD's Integrated Disbursement and Information System (IDIS) prior to project completion.

#### **4.04 Enforcement**

Minnesota Housing reserves the right to withhold draw requests if compliance with Section 3 requirements is not met during underwriting and construction.

## Chapter 5 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should make sure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise makes unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services, organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires housing providers to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

Applicants will be required to submit an Affirmative Fair Housing Marketing Plan at the time of application, to update the plan regularly and to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions.



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As a condition of funding through Minnesota Housing, housing providers are not permitted to refuse to lease a unit to, or discriminate against, a prospective resident solely because the prospective resident has a housing choice voucher or other form of tenant-based rental assistance.

## **Chapter 6 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting**

### **6.01 Fraud**

Fraud is any intentionally deceptive action made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source, or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the ways described in section 6.05.

### **6.02 Misuse of Funds**

A loan or grant agreement is a legal contract between Minnesota Housing and the borrower or grantee. The borrower or grantee promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the borrower or grantee to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the borrower or grantee must use Minnesota Housing funds as agreed, and the borrower or grantee must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a borrower or grantee; or (2) A borrower or grantee cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the loan or grant agreement.

Any borrower or grantee (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source, or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the ways described in section 6.05.

### **6.03 Conflict of Interest**

A conflict of interest, actual, potential, or perceived, occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A potential or perceived conflict of interest exists even if no unethical, improper or illegal act results from it.

An individual conflict of interest is any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a friend, relative, acquaintance or business or organization with which they are involved.

Organizational conflicts of interest occur when:

- A contracting party is unable or potentially unable to render impartial assistance or advice to Minnesota Housing due to competing duties or loyalties
- A contracting party's objectivity in carrying out the award is or might be otherwise impaired due to competing duties or loyalties
- A contracting party has an unfair competitive advantage through being furnished unauthorized proprietary information or source selection information that is not available to all competitors

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into an agreement with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all actual, perceived or potential conflicts of interest through one of the ways described in section 6.05.

A contracting party should review its contract agreement and request for proposals (RFP) material, if applicable, for further requirements.

#### **6.04 Suspension**

By entering into any agreement with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the agreement) has not been suspended from doing business with Minnesota Housing. Refer to Minnesota Housing's website for a list of [suspended individuals and organizations](#).

#### **6.05 Disclosure and Reporting**

Minnesota Housing promotes a "speak-up, see something, say something" culture whereby internal staff, external business partners (e.g., grantees, borrowers) and the general public are encouraged to report instances of fraud, misuse of funds, conflicts of interest, or other concerns without fear of retaliation. You may report wrongdoing or other concerns by contacting:

- Minnesota Housing's chief risk officer
- Any member of Minnesota Housing's [Servant Leadership Team](#)

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- [EthicsPoint](#), the Minnesota Housing hotline reporting service vendor

## Certification and Acknowledgement

**Instructions:** The project’s Contractor or architect must return this completed and signed certification to Minnesota Housing via the Multifamily Customer Portal prior to releasing the project bid package. The project bid package must be approved by Minnesota Housing before it is released. A copy of the completed and signed certification must be included in the Contract with the project developer as well.

A Subcontractor bidding on the project must return this completed and signed certification and acknowledgement with the bid application.

\_\_\_\_\_ (name), as the \_\_\_\_\_ (title) of \_\_\_\_\_ (company), hereby acknowledge that I have been provided a copy of and have read Minnesota Housing’s Multifamily Section 3 Compliance Guide, including Appendices, and fully understand and acknowledge, on behalf of, \_\_\_\_\_ (company), the obligation to strictly comply with the requirements set forth therein.

I certify that the information provided in this Certification is true, correct, and accurate.

---

Signature

Date

---

Printed Name

Title

## Appendix A – Terms

Term	Definition
Contractor	Any entity entering into a contract with the Recipient to perform work in connection with a Section 3 Project.
Contracts	An agreement for work arising in connection with a Project.
Employment opportunities generated by Section 3 covered assistance	<p>For Section 3 covered housing and community development assistance as this guide includes, this term means all employment opportunities arising in connection with Section 3 Projects, not including most management and administrative jobs connected with the Section 3 covered Project. Professional service contracts for non-construction services that require an advanced degree or professional licensing are not required to be reported as a part of total Section 3 labor hours. However, this exclusion does not cover all non-construction services.</p> <p>However, professional services staff labor hours are permitted to be reported, and PHAs will be given credit for reporting opportunities created for professional services, by including professional services labor hours in the numerator, and not in the denominator, of the reported outcome ratios. The reporting structure in the rule allows a recipient to count any work performed by a professional services Section 3 Worker or Targeted Section 3 Worker as Section 3 labor hours and as Targeted Section 3 labor hours (i.e., in the numerator of the calculation), even when the professional services as a whole are not counted in the baseline reporting (i.e., in the denominator of the calculation). The effect of this reporting structure is to give a recipient a bonus if they are able to report Section 3 hires in the professional services context.</p>
HOME Program Funds/National Housing Trust Fund Funds	Funds awarded under HUD’s programs
HUD	The United States Department of Housing and Urban Development
Low-Income Person	Individual whose income does not exceed 80 % of the median income for the area, as determined by the Secretary, except that the Secretary may establish income ceilings higher or lower than 80% of the median

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Term	Definition
	for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families.
Minnesota Housing	The Minnesota Housing Finance Agency
Public Housing Resident	Any individual who resides in public housing as a signatory on a public housing lease, or as a member of the family of the individual(s) who is the signatory on the public housing lease, as defined in 24 CFR §963.5.
Recipient	Any entity that receives Section 3 covered assistance directly from HUD or from another Recipient (e.g., PHA, unit of state or local government, property owner, developer).
Safe Harbor Standards	<p>A Recipient will be considered to be in compliance with Section 3 requirements if they, in the absence of evidence to the contrary:</p> <ol style="list-style-type: none"> <li>1. Certify that they have followed the prioritization of effort in 24 CFR Part 75.19; and</li> <li>2. Meet or exceed the applicable Section 3 benchmarks below.</li> </ol> <p>Section 3 Workers: 25% or more of the total number of labor hours worked by all workers on a Section 3 Project; and</p> <p>Targeted Section 3 Workers: 5% or more of the total number of labor hours worked by all workers on a Section 3 Project.</p>
Section 3	Section 3 of the Housing and Urban Development Act of 1968, as amended.
Section 3 Business Concern	<p>A Section 3 Business Concern is a business that meets at least one of the following criteria, documented within the previous six-month period from the date the business' Section 3 Business Concern Certification Form is signed:</p> <ol style="list-style-type: none"> <li>1. At least 51% owned and controlled by low- or very low-income persons;</li> <li>2. Over 75% of the labor hours performed for the business over the prior three-month period from</li> </ol>

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Term	Definition
	<p>the date the business' Section 3 Business Concern Certification Form is signed are performed by Section 3 Workers; or</p> <p>3. A business at least 51% owned and controlled by current Public Housing Residents or residents who currently live in Section 8-assisted housing</p>
Section 3 Project	A new construction, rehabilitation, or other public construction project receiving more than \$200,000 in Section 3 covered assistance.
Section 3 Worker	<p>A Section 3 Worker is any worker who currently fits, or when hired within the past five years fits, at least one of the following categories, as documented:</p> <ol style="list-style-type: none"> <li>1. The worker's income for the previous or annualized calendar year is below the income limit established by HUD;</li> <li>2. The worker is employed by a Section 3 business; or</li> <li>3. The worker is a YouthBuild participant</li> </ol>
Service Area	"Service area" or the "neighborhood of the project" means an area within one mile of the Section 3 project, or if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.
Subcontractor	Any entity that has a Contract with a Contractor or other Subcontractor to undertake a portion of the Contractor or Subcontractor's obligation to perform work in connection with a Section 3 Project.
Targeted Section 3 Worker	<p>A Targeted Section 3 Worker for Housing and Community Development Financial Assistance projects is a Section 3 Worker who:</p> <ol style="list-style-type: none"> <li>1. Is employed by a Section 3 Business Concern; or</li> <li>2. Currently fits, or when hired fits, at least one of the following categories, as documented within the past five years: <ol style="list-style-type: none"> <li>(i) Living within the Service Area or the neighborhood of the project, as defined in 24 CFR §75.5; or</li> </ol> </li> </ol>



MINNESOTA HOUSING – MULTIFAMILY SECTION 3 COMPLIANCE GUIDE

Term	Definition
	(ii) A YouthBuild participant
“To the Greatest Extent Feasible”	Every effort must be made to comply with the regulatory requirements of Section 3. By this, the Department means that recipients of Section 3 covered financial assistance should make every effort within their disposal to meet the regulatory requirements. For instance, this may mean going a step beyond normal notification procedures for employment and contracting procedures by developing strategies that will specifically target Section 3 Workers and businesses for these types of economic opportunities.
Very Low-Income Person	Individual whose income does not exceed 50% of the median family income for the area, as determined by the Secretary, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.
YouthBuild Programs	Programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

## Appendix B – Combined Guidance for Compliance

\*\*All Section 3 Forms referenced below may also be found on [Minnesota Housing’s website](#) and in the Multifamily Customer Portal in the Pre-Construction Due Diligence Checklist.

Appendix and Name**	Purpose of Document	Who Receives Documents and When	What Must Be Done with Document
<b>Appendix C</b> Section 3 Compliance Checklist Owner/Developer (Recipient)	To have the Owner/Developer certify to follow all applicable Section 3 requirements	<ul style="list-style-type: none"> <li>Owner/Developer at project launch as part of this guide</li> </ul>	<ul style="list-style-type: none"> <li>Owner/Developer must complete and submit via Portal prior to releasing bid package</li> </ul>
<b>Appendix D</b> Section 3 Contractor Compliance Checklist	To have Contractors certify to follow all applicable Section 3 requirements	<ul style="list-style-type: none"> <li>Contractor and Architect as part of bid package</li> </ul>	<ul style="list-style-type: none"> <li>Contractor must complete and submit to Owner/Developer prior to releasing bid package or with bid application</li> <li>Owner/Developer must submit via Portal</li> </ul>
<b>Appendix E</b> Section 3 Compliance Checklist for Subcontractors	To have Subcontractors certify to follow all applicable Section 3 requirements	<ul style="list-style-type: none"> <li>Subcontractors as part of bid package</li> </ul>	<ul style="list-style-type: none"> <li>Subcontractors must complete and submit to Contractor with bid application</li> <li>Contractor and Subcontractors must retain all completed forms for later review</li> </ul>
<b>Appendix F</b> Section 3 Clause	To help ensure that the required Section 3 language is included in all Section 3 covered Contracts and	<ul style="list-style-type: none"> <li>Owner/Developer at project launch as part of this guide Contractor, Architect, and Subcontractors as</li> </ul>	<ul style="list-style-type: none"> <li>Must be included in all bid packages, Contracts, and subcontracts</li> <li>All contracts must be submitted to and retained by</li> </ul>

MINNESOTA HOUSING – MULTIFAMILY SECTION 3 COMPLIANCE GUIDE

Appendix and Name**	Purpose of Document	Who Receives Documents and When	What Must Be Done with Document
	solicitation materials	part of bid package	Owner/Developer for later review <ul style="list-style-type: none"> <li>• Owner/Developer must submit Contractor and Architect contracts via Portal</li> </ul>
<b>Appendix G</b> Section 3 Qualitative Efforts Reporting Form	To articulate the requirements from 24 CFR §75.19 and to document qualitative efforts used to help meet Section 3 requirements	<ul style="list-style-type: none"> <li>• Owner/Developer at project launch as part of this guide</li> <li>• Contractor, Architect, and Subcontractors as part of bid package</li> </ul>	<ul style="list-style-type: none"> <li>• Must be completed by the Owner/Developer, Contractor, and Subcontractors prior to execution of Contracts</li> <li>• Owner/Developer must submit all completed forms via Portal prior to execution of Contracts</li> </ul>
<b>Appendix H</b> Section 3 Worker Self-Certification Form	To certify the status of a Section 3 Worker	<ul style="list-style-type: none"> <li>• Owner/Developer at project launch as part of this guide</li> <li>• Contractor, Architect, and Subcontractors as part of bid package</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor and Subcontractors must collect completed form from all eligible Section 3 Workers and submit to the Owner/Developer prior to execution of Contracts</li> <li>• Owner/Developer must retain copies of all forms for later review</li> </ul>
<b>Appendix I</b> Section 3 Business Concern Certification Form	To certify the status of a Section 3 Business Concern	<ul style="list-style-type: none"> <li>• Owner/Developer at project launch as part of this guide</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor and Subcontractors must collect completed form from all eligible Section 3 Business</li> </ul>

MINNESOTA HOUSING – MULTIFAMILY SECTION 3 COMPLIANCE GUIDE

Appendix and Name**	Purpose of Document	Who Receives Documents and When	What Must Be Done with Document
		<ul style="list-style-type: none"> <li>• Contractor, Architect, and subcontractors as part of bid package</li> </ul>	<p>Concerns and submit to the Owner/Developer prior to execution of Contracts</p> <ul style="list-style-type: none"> <li>• Owner/Developer must retain copies of all forms for later review</li> </ul>
<p><b>Appendix J</b> Section 3 Labor Hour Certification Form</p>	<p>To certify the Section 3 labor hours worked on a Section 3 Project not subject to Davis Bacon Labor Standards</p>	<ul style="list-style-type: none"> <li>• Owner/Developer at project launch as part of this guide</li> <li>• Contractor, Architect, and Subcontractors as part of bid package</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor and Subcontractors must complete and submit to Minnesota Housing in conjunction with monthly draw requests</li> </ul>

Development Name and D Number: \_\_\_\_\_

As a Recipient of HUD assistance exceeding \$200,000, you are required to comply with Section 3 of the Housing and Urban Development Act of 1968 (“Section 3”). Section 3 requires that you and all Contractors and Subcontractors associated with the Project take steps so that low- and very low-income individuals and Section 3 Business Concerns that provide economic opportunities to low- and very low-income individuals have an opportunity to benefit from the Project.

**Instructions:** Described below are steps you must take to help ensure that you comply with Section 3 and against which Minnesota Housing will evaluate your performance. Initial next to each item below acknowledging you understand and will comply with the following provisions.

Return this completed and signed checklist to Minnesota Housing via the Multifamily Customer Portal for approval prior to releasing the Project bid package. Also, collect this checklist from the Contractor and submit to Minnesota Housing either prior to releasing the Project bid package if already selected or shortly after selecting them.

- \_\_\_ 1. Comply with Section 3 in your operations and in the operations of your Contractors and Subcontractors.
- \_\_\_ 2. Notify potential Contractors of the Section 3 requirements found at [24 CFR §75](#) by providing them with the Multifamily Section 3 Compliance Guide and all appendices before bidding.
- \_\_\_ 3. Review and include Minnesota Housing’s Section 3 Clause in all Contracts and bid packages. Contracts and bid packages must be submitted to Minnesota Housing via the Multifamily Customer Portal for approval prior to the execution of any Contracts or release of the Project bid package.
- \_\_\_ 4. Require that all Contractors and Subcontractors provide you copies of subcontracts showing inclusion of Minnesota Housing’s Section 3 Clause and retain these copies for later review by Minnesota Housing, HUD, and/or its representatives in accordance with all recordkeeping requirements found at [24 CFR §75.31](#).
- \_\_\_ 5. Take steps to meet or exceed the current HUD Section 3 benchmarks as defined below:  
The benchmark for Section 3 Workers is set at 25% or more of the total number of labor hours worked by all workers on a Section 3 Project. The benchmark for Targeted Section 3 Workers is set at 5% or more of the total number of labor hours worked by all workers on a Section 3 Project.
- \_\_\_ 6. Certify to follow the prioritization requirements found at [24 CFR §75.19](#) (refer to #7 below). Implement procedures designed to notify Section 3 Workers about training and

employment opportunities and Section 3 Business Concerns about contracting opportunities generated by Section 3 covered assistance.

Refer to Minnesota Housing's Section 3 Compliance Guide and the Section 3 Qualitative Efforts Reporting Form for examples of acceptable methods to use.

- \_\_\_\_\_ 7. Document your efforts, and require that all Contractors and Subcontractors provide you documentation of their efforts, **to identify and provide training and employment opportunities to:**
- a. Section 3 Workers residing within the service area or neighborhood of the Project, and
  - b. Participants in YouthBuild programs;
- and of their efforts **to provide Contracts to:**
- a. Section 3 Business Concerns that provide economic opportunities to Section 3 Workers in the Project service area or neighborhood, and
  - b. YouthBuild programs

All Recipients, Contractors and Subcontractors must document their efforts by submitting a completed Section 3 Qualitative Efforts Reporting Form prior to executing any Contracts. Submit this form and all forms collected to Minnesota Housing via the Pre-Construction Due Diligence checklist in the Multifamily Customer Portal.

If you, your Contractors or their Subcontractors encounter impediments to identifying Section 3 Workers or in awarding Contracts to Section 3 Business Concerns and are unable to meet the current HUD Section 3 benchmarks as defined above, they must include a written explanation in the Section 3 Qualitative Efforts Reporting Form of the impediments they encountered.

- \_\_\_\_\_ 8. Require that all Contractors and Subcontractors identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns and provide to you, via the Contractor, copies of all certification forms collected prior to executing any Contracts. Retain them for later review by Minnesota Housing, HUD, and/or its representatives in accordance with all recordkeeping requirements found at [24 CFR §75.31](#).

If new Subcontractors are hired after the start of construction, help ensure that they promptly identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns, and provide to you, via the Contractor, copies of all certification forms collected.

- \_\_\_ 9. Help ensure that all Contractors and Subcontractors identify all eligible Section 3 Workers and Targeted Section 3 Workers and enter their labor hours worked on a weekly basis in LCPtracker during Project construction.

If labor hours are not required to be entered into LCPtracker, then labor hours must be documented using the Labor Hours Certification Form and submitted with the Project's monthly draw request.

I certify that I have read and fully understand and acknowledge the obligation to strictly comply with the requirements set forth above.

---

Printed Name

Title

Date

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Signature

\*Capitalized terms are defined in Appendix A – Terms of the Multifamily Section 3 Compliance Guide. This guide and all Section 3 forms referenced above can be found on Minnesota Housing's website at <https://www.mnhousing.gov/sites/multifamily/postselection/homehtf>.

Development Name and D Number: \_\_\_\_\_

This Project requires that all Contractors and Subcontractors who hire or award Contracts associated with the Project must take steps so that low- and very low-income individuals and Section 3 Business Concerns have an opportunity to benefit from the Project.

**Instructions:** Described below are steps you must take to help ensure that you comply with Section 3 and against which Minnesota Housing will evaluate your performance. Initial next to each item below acknowledging you understand and will comply with the following provisions.

Return this completed and signed checklist to the Recipient (Project owner/developer you are contracting with to perform work or submitting your bid application to) prior to releasing the Project bid package or with your bid application. Also, collect this completed and signed checklist from all Subcontractors bidding on the Project and retain them for later review by Minnesota Housing, HUD, and/or its representatives in accordance with all recordkeeping requirements found at [24 CFR §75.31](#).

- \_\_\_ 1. Comply with Section 3 in your operations and in the operations of your Subcontractors.
- \_\_\_ 2. Notify potential Subcontractors of the Section 3 requirements found at [24 CFR §75](#) by providing the Multifamily Section 3 Compliance Guide and all appendices before bidding.
- \_\_\_ 3. Review and include Minnesota Housing's Section 3 Clause in all subcontracts and bid packages.
- \_\_\_ 4. Provide the Recipient copies of all subcontracts showing inclusion of Minnesota Housing's Section 3 Clause.
- \_\_\_ 5. Take steps to meet or exceed the current HUD Section 3 benchmarks as defined below:  
  
The benchmark for Section 3 Workers is set at 25% or more of the total number of labor hours worked by all workers on a Section 3 Project. The benchmark for Targeted Section 3 Workers is set at 5% or more of the total number of labor hours worked by all workers on a Section 3 Project.
- \_\_\_ 6. Certify to follow the prioritization requirements found at [24 CFR §75.19](#) (refer to #7 below). Implement procedures designed to notify Section 3 Workers about training and employment opportunities and Section 3 Business Concerns about contracting opportunities generated by Section 3 covered assistance.

Refer to Minnesota Housing's Section 3 Compliance Guide and the Section 3 Qualitative Efforts Reporting Form for examples of acceptable methods to use.



\_\_\_\_ 7. Provide the Recipient documentation of your efforts **to identify and provide training and employment opportunities to:**

- a. Section 3 Workers residing within the service area or neighborhood of the Project, and
- b. Participants in YouthBuild programs;

and of your efforts **to identify and provide Contracts to:**

- a. Section 3 Business Concerns that provide economic opportunities to Section 3 Workers in the Project service area or neighborhood, and
- b. YouthBuild programs

All Contractors and Subcontractors must document their efforts by submitting a completed Section 3 Qualitative Efforts Reporting Form prior to executing any Contracts. Send the completed form to the Recipient and collect completed forms from all Subcontractors to submit to the Recipient as well.

If you encounter impediments to identifying Section 3 Workers or in awarding Contracts to Section 3 Business Concerns and are unable to meet the current HUD Section 3 benchmarks as defined above, provide in the Section 3 Qualitative Efforts Reporting Form a written explanation of the impediments encountered.

\_\_\_\_ 8. Identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns and provide copies of all certification forms collected to the Recipient prior to executing any Contracts. Require that all Subcontractors do the same and provide you with copies of all certification forms collected. These forms must then be submitted to the Recipient prior to executing any Contracts.

If new Subcontractors are hired after the start of construction, promptly request that they identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns and provide you with copies of all certification forms collected. You must then submit these forms to the Recipient prior to executing any Contracts.

\_\_\_\_ 9. Identify all eligible Section 3 Workers and Targeted Section 3 Workers and enter their labor hours worked on a weekly basis in LCPtracker during Project construction. Help ensure that your Subcontractors complete this as well.

If labor hours are not required to be entered into LCPtracker, then labor hours must be documented using the Labor Hours Certification Form and submitted with the Project's monthly draw request.

I certify that I have read and fully understand and acknowledge the obligation to strictly comply with the requirements set forth above.

---

Printed Name

Title

Date

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Signature

\*Capitalized terms are defined in Appendix A – Terms of the Multifamily Section 3 Compliance Guide. This guide and all Section 3 forms referenced above can be found on Minnesota Housing’s website at <https://www.mnhousing.gov/sites/multifamily/postselection/homehtf>.

Development Name and D Number: \_\_\_\_\_

This Project requires that all Contractors and Subcontractors who hire or award Contracts associated with the Project must take steps so that low- and very low-income individuals and Section 3 Business Concerns have an opportunity to benefit from the Project.

**Instructions:** Described below are steps you must take to help ensure that you comply with Section 3 and against which Minnesota Housing will evaluate your performance. Initial next to each item below acknowledging you understand and will comply with the following provisions.

Return this completed and signed checklist to the Contractor (entity you are contracting with to perform work) with your bid application. Also, collect this completed and signed checklist from all Subcontractors bidding on the Project and retain them for later review by Minnesota Housing, HUD, and/or its representatives in accordance with all recordkeeping requirements found at [24 CFR §75.31](#).

- \_\_\_ 1. Comply with Section 3 in your operations and in the operations of your Subcontractors.
- \_\_\_ 2. Notify potential Subcontractors of the Section 3 requirements found at [24 CFR §75](#) by providing the Multifamily Section 3 Compliance Guide and all appendices before bidding.
- \_\_\_ 3. Review and include Minnesota Housing's Section 3 Clause in all subcontracts and bid packages.
- \_\_\_ 4. Provide the Contractor with copies of all subcontracts showing inclusion of Minnesota Housing's Section 3 Clause.
- \_\_\_ 5. Take steps to meet or exceed the current HUD Section 3 benchmarks as defined below:  
  
The benchmark for Section 3 Workers is set at 25% or more of the total number of labor hours worked by all workers on a Section 3 Project. The benchmark for Targeted Section 3 Workers is set at 5% or more of the total number of labor hours worked by all workers on a Section 3 Project.
- \_\_\_ 6. Certify to follow prioritization requirements found at [24 CFR §75.19](#) (refer to #7 below). Implement procedures designed to notify Section 3 Workers about training and employment opportunities and Section 3 Business Concerns about contracting opportunities generated by Section 3 covered assistance.

Refer to Minnesota Housing's Section 3 Compliance Guide and the Section 3 Qualitative Efforts Reporting Form for examples of acceptable methods to use.

- \_\_\_ 7. Provide the Contractor documentation of your efforts **to identify and provide training and employment opportunities to:**
- a. Section 3 Workers residing within the service area or neighborhood of the Project, and
  - b. Participants in YouthBuild programs;

and your efforts **to identify and provide Contracts to:**

- a. Section 3 Business Concerns that provide economic opportunities to Section 3 Workers in the Project service area or neighborhood, and
- b. YouthBuild programs

All Subcontractors must document their efforts by submitting a completed Section 3 Qualitative Efforts Reporting Form prior to executing any Contracts. Send the completed form to the Contractor and collect completed forms from all Subcontractors to submit to the Contractor as well.

If you encounter impediments in identifying Section 3 Workers or in awarding Contracts to Section 3 Business Concerns and are unable to meet the current HUD Section 3 benchmarks as defined above, provide in the Section 3 Qualitative Efforts Reporting Form a written explanation of the impediments encountered.

- \_\_\_ 8. Identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns and provide copies to the Contractor of all certification forms collected prior to executing any Contracts. Require that all Subcontractors do the same and provide you with copies of all certification forms collected. These forms must then be submitted to the Contractor prior to executing any Contracts.

If new Subcontractors are hired after the start of construction, promptly request that they identify all eligible Section 3 Workers, Targeted Section 3 Workers, and Section 3 Business Concerns and provide you with copies of all certification forms collected. You must then submit these forms to the Contractor prior to executing any Contracts.

- \_\_\_ 9. Identify all Section 3 Workers and Targeted Section 3 Workers and enter their labor hours worked on a weekly basis in LCPtracker during Project construction. Help ensure that your Subcontractors complete this as well.

If labor hours are not required to be entered into LCPtracker, then labor hours must be documented using the Labor Hours Certification Form and submitted monthly to the Contractor.

I certify that I have read and fully understand and acknowledge the obligation to strictly comply with the requirements set forth above.

---

Printed Name

Title

Date

---

Signature

\*Capitalized terms are defined in Appendix A – Terms of the Multifamily Section 3 Compliance Guide. This guide and all Section 3 forms referenced above can be found on Minnesota Housing’s website at <https://www.mnhousing.gov/sites/multifamily/postselection/homehtf>.

**Instructions:** Review the Section 3 Clause language below. All Section 3 covered Contracts must include the following Section 3 Clause.

- A. The work to be performed under this Contract is subject to the requirements of Section 3 of the U.S. Housing and Urban Development (HUD) Act of 1968 (12 U.S.C. 1701u), as amended (Section 3). The purpose of Section 3 is to help ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall, To The Greatest Extent Feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing or residents of the community in which the HUD assistance is spent.
- B. The parties to this Contract agree to comply with HUD's regulations in 24 CFR §75, which implement Section 3. As evidenced by their execution of this Contract, the parties to this Contract certify that they are under no contractual obligation or other impediment that would prevent them from complying with 24 CFR §75 regulations.
- C. The Contractor agrees to send to each labor organization or representative of workers with which the Contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Contractor's commitments under this Section 3 clause and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth a minimum number and job titles subject to hire, the availability of apprenticeship and training positions, the qualifications for each and the name and location of the person(s) taking applications for each of the positions and the anticipated date the work shall begin.
- D. The Contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations set forth in 24 CFR §75 and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR §75. The Contractor will not subcontract with any subcontractor where the Contractor has notice or knowledge that the subcontractor has been found in violation of the regulations set forth in 24 CFR §75.
- E. The Contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the Contractor is selected but before the Contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR §75 require employment opportunities be directed, were not filled to circumvent the Contractor's obligations under 24 CFR §75.
- F. Noncompliance with HUD's regulations in 24 CFR §75 may result in sanctions, termination of this Contract for default, and debarment or suspension from future Section 3 covered Contracts.
- G. Contracts, subcontracts, grants, or subgrants subject to Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5307(b)) or subject to tribal preference requirements as authorized under 101(k) of the Native American Housing Assistance and Self-Determination Act (25 U.S.C. 4111(k)) must provide preferences in employment, training, and business opportunities to Indians and Indian organizations, and are therefore not subject to the requirements of 24 CFR §75.

**NOTE:** Capitalized terms are defined in Appendix A – Terms of the Multifamily Section 3 Compliance Guide, which can be found on Minnesota Housing's website at <https://www.mnhousing.gov/sites/multifamily/postselection/homehtf>.

**Development Name:** \_\_\_\_\_

**Development Address:** \_\_\_\_\_

**Development (D) Number:** \_\_\_\_\_

**Organization or Company Name:** \_\_\_\_\_

The Project you are working on has received federal funds that have triggered the requirements of [24 CFR Part 75](#) specific to Section 3. 24 CFR Part 75.19 requires that:

To the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, recipients . . . shall ensure that **employment and training opportunities** arising in connection with Section 3 projects are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located. Where feasible, priority for opportunities and training . . . should be given to:

1. Section 3 workers residing within the service area or the neighborhood of the project, and
2. Participants in YouthBuild programs.

To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients . . . shall ensure **contracts for work awarded** in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the project is located. Where feasible, priority for contracting opportunities . . . should be given to:

1. Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project, and
2. YouthBuild programs.

The Recipient of federal funds must report in a form prescribed by the U.S. Department of Housing and Urban Development (HUD) on the qualitative nature of its activities and those its Contractors and Subcontractors pursued.

**INSTRUCTIONS:** To complete this report, refer to pages 3-5 of this document for a list of potential strategies that can be used to provide employment and training opportunities to Section 3 Workers and Targeted Section 3 Workers, and contracting opportunities to Section 3 Business Concerns.

Document in the applicable fields on page 2 all qualitative efforts made for the Project and also include any supporting documentation of your efforts. Minnesota Housing will monitor you for compliance with this requirement. Any non-compliance may result in penalties such as suspension of funding for the Project, debarment, repayment if funds have been disbursed and/or other penalties as defined in the written agreement and/or loan agreement.

As the owner of, Contractor or Subcontractor working on the Project, it is important for you to understand your obligations.

**Qualitative Efforts to Provide Contracting Opportunities to Section 3 Business Concerns:**

\_\_\_\_\_

**Qualitative Efforts to Provide Employment and Training Opportunities to Section 3 Workers and Targeted Section 3 Workers:**

\_\_\_\_\_

**Impediments to Identifying Section 3 Workers and Targeted Section 3 Workers or in Awarding Contracts to Section 3 Business Concerns Encountered:**

\_\_\_\_\_

I certify that the information provided in this form is true, correct, and accurate. I also certify that the Section 3 prioritization of effort requirements were followed.

---

Printed Name

Title

Date

---

Signature



## Examples of Efforts to Provide Employment and Training Opportunities

1. Engaged in outreach efforts to generate job applicants who are Section 3 and Targeted Section 3 Workers.
  - a. Contacted local community organizations, where they exist in the Project service area, to request assistance in notifying residents of any training and employment positions to be filled.
  - b. Contacted agencies administering HUD YouthBuild Programs, and requested their assistance in recruiting HUD YouthBuild program participants for the Contractor's training and employment positions.
  - c. Advertised the training and employment positions by posting flyers, which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process, in the Project service area.
  - d. Sponsored job informational meetings to be conducted by a Contractor representative or representatives at a location in the Project service area.
  - e. Arranged for a location in the Project service area where job applications may be delivered to and collected by a Recipient or Contractor representative.
2. Provided direct, on-the-job training or apprenticeship opportunities.
3. Provided indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
4. Provided technical assistance to help Section 3 Workers and Targeted Section 3 Workers compete for jobs (e.g., resume and job application assistance, coaching).
5. Provided or connected Section 3 Workers and Targeted Section 3 Workers with assistance in seeking employment including: drafting resumes, preparing for interviews, finding job opportunities, and connecting residents to job placement services.
6. Held one or more job fairs.
7. Provided or referred Section 3 Workers and Targeted Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, childcare).
8. Provided assistance applying for or attending a community college, a four-year educational institution, or vocational or technical training.
9. Assisted Section 3 Workers and Targeted Section 3 Workers to obtain financial literacy training and/or coaching.
10. Consulted with state and local agencies administering training programs funded through the Jobs Training Partnership Act (JTPA) or JOBS, probation and parole agencies, unemployment, compensation programs, community organizations and other officials or organizations to assist with recruiting Section 3 Workers for the Contractor's training and employment positions.
11. Maintained a file of eligible qualified Section 3 Workers for future employment positions.

## Examples of Efforts to Provide Contracting Opportunities

1. Engaged in outreach efforts to identify and secure bids from Section 3 Business Concerns.
  - a. Developed a list of eligible Section 3 Business Concerns.
  - b. Utilized [HUD's Opportunity Portal](#) to access Section 3 Business Concern contact information.
  - c. Contacted business assistance agencies, minority Contractor associations, and community organizations to inform them of contracting opportunities and requesting their assistance in identifying Section 3 Business Concerns that may solicit bids or proposals for Contracts for work in connection with Section 3 covered assistance.
  - d. Advertised contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the Project service area.
  - e. Provided written notice of the contracting opportunities to all known Section 3 Business Concerns. This notice should be provided in sufficient time to allow the Section 3 Business Concerns to respond to the bid invitations.
  - f. Followed up with Section 3 Business Concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information.
  - g. Advertised the contracting opportunities through trade association papers and newsletters and through the local media such as community television networks, newspapers of general circulation, and radio advertising.
  - h. Supported businesses that provide economic opportunities to low-income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce, and comparable agencies at state and local levels.
  - i. Actively supported joint ventures with Section 3 Business Concerns.
2. Provided technical assistance to help Section 3 Business Concerns understand and bid on contracts.
  - a. Carried out workshops on contracting procedures and specific contract opportunities in a timely manner so that Section 3 Business Concerns can take advantage of upcoming contracting opportunities.
  - b. Coordinated pre-bid meetings at which Section 3 Business Concerns could be informed of upcoming contracting and subcontracting opportunities.
  - c. Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of Section 3 Business Concerns.
3. Divided contracts into smaller jobs to facilitate participation by Section 3 Business Concerns.
4. Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business Concerns.
5. Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
6. Provided outreach, engagement, or referrals to the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

7. Contacted agencies administering HUD YouthBuild Programs, and notified these agencies of the contracting opportunities.

The purpose of the U.S. Department of Housing and Urban Development’s (HUD) Section 3 program is to provide employment, training, and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs.

**Instructions:** A Section 3 Worker seeking certification may self-certify by completing and submitting this form to their employer. This form indicates the employee’s status as a Section 3 Worker or Targeted Section 3 Worker as defined in [24 CFR Part 75](#). The employee should complete the Employee Information section and then complete either the Section 3 Worker section or the Targeted Section 3 Worker section, as applicable. Once the form is complete, sign, print, and date in the applicable fields and provide this form to your employer.

Employee Information (person completing this form)	
Employee Name	
Employee Address	
Employer Name	
Date Hired	

### Section 3 Worker

**Definition:** A Section 3 Worker is any individual who currently fits, or when hired within the past five years fit, at least one of the following categories.

**Check only one of the four options below that applies to you (the employee):**

- Income for the previous or annualized calendar year is below the income limit established by HUD for an individual (one person) for your county of residence. Check only one box in the table below:

2021 HUD Income Limits for _____ County*		
<input type="checkbox"/>	80% of Area Median Income (AMI)	\$_____
<input type="checkbox"/>	50% of Area Median Income (AMI)	\$_____

\*Enter your county of residence above. Using the attached pages, find the one-person income limits for your county or city of residence. Enter the “Very Low Income” limit for the 50% AMI amount above and the “Low Income” limit for the 80% AMI amount.

- Employed by a Section 3 Business Concern. Name of business: \_\_\_\_\_
- A YouthBuild participant
- Check this box if you are certified as a Section 3 Worker through the Twin Cities Section 3 Collaborative.

**Targeted Section 3 Worker**

**Definition:** A Targeted Section 3 Worker is a Section 3 Worker who currently fits, or when hired within the past five years fit, at least one of the following categories.

**Check only one of the three options below that applies to you (the employee):**

- Employed by a Section 3 Business Concern. Name of business: \_\_\_\_\_
- A YouthBuild participant
- Living/lived within the service area or the neighborhood of the project\*, as defined in [24 CFR Part 75.5](#)

*\*Service area or the neighborhood of the project means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of the Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.*

**Employee Affirmation**

I hereby certify, under penalty of law, that the above information is true, complete, and correct to the best of my knowledge.

---

Signature of Employee

Printed Name of Employee

Date

**FOR ADMINISTRATIVE USE ONLY**

**IMPORTANT:** The employer must verify if an employee self-certifies that they are either employed by a Section 3 Business Concern or live in the service area or neighborhood of the Section 3 project.

Is the employee a Section 3 Worker based upon their self-certification or employer verification?

YES  NO

Is the employee a Targeted Section 3 Worker based upon their self-certification or employer verification?

YES  NO

Was the above stated employee hired as a result of the Section 3 project?

YES  NO

**EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS FROM THE DATE OF SUBMISSION.**

The purpose of the U.S Department of Housing and Urban Development’s (HUD) Section 3 program is to provide employment, training, and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs, and to business concerns that provide opportunities to these individuals.

**Instructions:** A Section 3 Business Concern seeking certification may certify by completing and submitting this form to the recipient contractor or subcontractor that the business is a Section 3 Business Concern as defined in [24 CFR Part 75](#). Complete the Business Information section, and select the appropriate criteria that follows, to certify the Section 3 Business Concern status of your business. List all owners and their percent of ownership. **NOTE:** Add additional rows, as applicable, if there are more than two owners.

Business Information			
Business Name			
Business Address			
Business Telephone		Business Email	
Type of Business:			
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Partnership	<input type="checkbox"/> Corporation	<input type="checkbox"/> Joint Venture <input type="checkbox"/> LLC
Industry/Service	(plumbing, carpentry, painting, etc.)		
Owner Name		Percent Ownership	%
Owner Name (if applicable)		Percent Ownership	%

**Section 3 Business Definition:**

A Section 3 Business Concern is a business that meets at least **ONE** of the following criteria, documented within the last six-month period. **NOTE:** This certification expires after six months from the date of signature, below.

**Check only one option below that applies to your business:**

- Business is at least 51% owned and controlled by a person or person(s) with incomes below the limit established by HUD for an individual (one person) for the business owner’s county of residence. Check only one box in the table below.

2021 HUD Income Limits for _____ County*		
<input type="checkbox"/>	80% of Area Median Income (AMI)	\$_____
<input type="checkbox"/>	50% of Area Median Income (AMI)	\$_____

\*Enter your county of residence above. Using the attached pages, find the one-person

income limits for your county or city of residence. Enter the "Very Low Income" limit for the 50% AMI amount above and the "Low Income" limit for the 80% AMI amount.

- The business is at least 51% owned and controlled by current public housing residents or residents who currently live in Section 8 assisted housing.
- Over 75% of the labor hours performed for the business over the **prior three-month period** was performed by Section 3 Workers\*\*
- Check this box if your business is certified as a Section 3 Business Concern through the Twin Cities Section 3 Collaborative.

\*\*A Section 3 Worker is any individual who currently fits, or when hired within the past five years fit, at least one of the following three categories:

- A low or very low-income resident (the worker's income for the previous or annualized calendar year is below the income limit established by HUD); or
- Employed by a Section 3 Business Concern; or
- A YouthBuild participant

### **Business Concern Affirmation**

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief. I understand that businesses who misrepresent themselves as Section 3 Business Concerns and report false information to the Minnesota Housing Finance Agency may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities. I hereby certify, under penalty of law, that the above information is true, complete, and correct to the best of my knowledge.

---

Signature of Business Owner

Printed Name of Business  
Owner

Date

#### **FOR ADMINISTRATIVE USE ONLY**

**IMPORTANT:** Section 3 Business Concern status should be verified before awarding contracts and/or subcontracts to a business that self-certified unless the organization(s) to which you plan to award contracts and/or subcontracts has/have been certified by the Twin Cities Section 3 Collaborative.

Is the business a Section 3 Business Concern based upon their self-certification?

YES  NO

**EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS FROM THE DATE OF SUBMISSION.**

**Development Name:** \_\_\_\_\_**Business Name:** \_\_\_\_\_**Date Range of Hours:** \_\_\_\_\_

The Project you are working on has received federal funds that have triggered the requirements of [24 CFR Part 75](#) specific to Section 3. The U.S. Department of Housing and Urban Development (HUD) has set the required Section 3 benchmark goals for project labor hours worked by Section 3 Workers at 25% or more of the total labor hours worked and 5% or more of the total labor hours worked by Targeted Section 3 Workers.

**Instructions:** To document compliance with the requirements of Section 3, you must provide the information on page 2 for all employees who worked on the Project during the date range above, with the exception of professional, non-construction service contracts for fields requiring an advanced degree or professional licensing. This form should include the labor hours of any Section 3 and Targeted Section 3 Workers whose status your business previously certified for the Project. Once completed, you must submit this form (including page 1) to Minnesota Housing in conjunction with the Project's monthly draw requests. Requested draws will not be disbursed until this form has been completed and submitted.

**Section 3 Worker Definition:**

Any individual who currently fits, or when hired within the past five years fit, at least one of the following categories:

- Income for the previous or annualized calendar year is below the income limit established by HUD for an individual (one person) for their county of residents
- Employed by a Section 3 Business Concern; or
- A YouthBuild participant

**Targeted Section 3 Worker Definition:**

A Section 3 Worker who currently fits, or when hired within the past five years fit, at least one of the following categories:

- Employed by a Section 3 Business Concern
- Currently fits or when hired fit at least one of the following categories, as documented within the last five years:
  1. A YouthBuild participant; or
  2. Living within the service area or neighborhood of the project, as defined in 24 CFR Part 75.5



**Employer Affirmation**

I hereby certify, under penalty of law, that the attached employee labor hours are true, complete, and correct to the best of my knowledge.

---

Printed Name

Title

Date

---

Signature

**Section 3 Employee Labor Hour Certification Form**

Employee Name	Job Title	Section 3 Worker Y/N	Targeted Section 3 Worker Y/N	Hours Worked	Years Employed